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BY THE HOUSE OF DELEGATES,
March 8, 1845.

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# REPORT

OF

## THE COMMITTEE ON

# WAYS AND MEANS,

RELATIVE TO THE

# FINANCES OF THE STATE.

ANNAPOLIS:
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1845.

# REPORT.

The Committee on Ways and Means have carefully considered the subject of the finances of the State, and submit the following report:

The universal desire that something effectual should be done during the present session of the legislature, to restore the public credit, is sincerely participated in by the committee, and they have accordingly devoted themselves with unceasing anxiety to devise and present such measures to the General Assembly, as seemed to them best calculated to accomplish that desirable result.

One of the great difficulties encountered by the committee this year, as was the case the year preceding, results from the refusal of some of the counties, to pay their proportion of the taxes; and although the legislation of last year, has to some extent, removed this difficulty, it is still a formidable obstacle, in the way of any system of measures, to place the State in a condition, to meet her engagements with punctuality.

The proceeds of the direct tax paid into the Treasury in the fiscal year, ending on the 1st of December 1843, was $367,232.51, the amount received from the same source for the year ending the 1st of December 1844, was $376,332.79.

Exhibiting an increase from this source of revenue, of $9,-100.28.

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| The total amount of receipts into the Treasury in the fiscal year 1843, were | $680,428 77 |
| Whilst the receipts for the year 1844, were | $743,479 51 |
| Showing an excess of the last year, over the preceding year, of | $63,050 74 |
| The amount disbursed by the Treasury in the year 1843, for purposes other than the payment of the principal and interest of the public debt, was | $261,069 44 |
| Whilst the amount disbursed for similar purposes in 1844, was | 240,464 99 |
| Showing a diminution of the ordinary expenses of the State of | $20,604 45 |
| It appears therefore, that whilst the receipts of the Treasury from all sources, for the year 1844, exceeded those of 1843, by | $63,050 74 |
| The ordinary expenses of the State have diminished, | $20,604 45 |

These are highly gratifying results and calculated to stimulate the authorities and the people to more vigorous exertions, to re-establish the public credit.

The committee cannot permit themselves to entertain a doubt that there exists in every part of the State, a firm and settled purpose to meet fully all her engagements. To suppose the contrary, would be a libel on the living, and insulting to the memory of the dead; and would sooner or later verify the anticipations of those, who have predicted for our free institutions, but a brief and transitory existence.

For if the concurring testimony of all history, may be relied upon as establishing the truth; ultimate disgrace, and ruin, must overtake that government and people, who have ceased to feel, and act, upon the principles of honor and honesty.

But no defence of the people of Maryland, against an imputation so injurious need be made. From the passage of the act of March session 1841, chapter 23, they through their representatives, year after year, have passed laws, which each successive legislature believed, would afford the requisite amount of revenue. Full success has not yet crowned these exertions; but a nearer approximation to it, has every year been made, until at length, the annual resources of the State, approach within a comparatively small sum, the annual claims of our creditors. These repeated, and honorable exertions, evince a deep seated, and ineradicable determination on the part of the people, to retrieve, and maintain inviolate, the honor of their government.

That murmuring, and discontent should be heard in the commencement of the system, was not to be wondered at. Prior to the act of 1841, the highest amount of money raised in this State, by direct taxation, was $60,818.

When in the year 1840, it was ascertained for the first time, that the engagements of the State, could not be met, without a resort to taxation, far exceeding in amount any thing ever before experienced, the public mind was, as was natural, deeply agitated, and amazement, was not unmingled with consternation at the spread of the intelligence. The people for the most part, had indulged the belief, that the works, which the money was borrowed to construct, would pay the interest upon the debt, and that taxation would not be resorted to. But nevertheless, when the stern necessity was forced upon them, and the alternative of taxation, or dishonor was presented, they unhesitatingly chose the former, and with undeviating purpose have continued since, to add tax upon tax, until a comparatively slight additional imposition, will meet the exigency, and restore the public credit.

It was seen and felt, that the debt which those efforts were intended to discharge was not the result of a single, sudden, unpremeditated act of improvident legislation. The people saw, that the system of borrowing money for purposes of internal improvement commenced in 1827, and was continued until 1839, with the concurrence of all parties, and without a pretext for disputing

the binding obligation of the laws which authorised it—and they have seen at a later period, that the enactments, which the legislature has had recourse to, to pay the debt, have received the sanction of the supreme appellate tribunal of the State. Under these circumstances, to doubt the intention of the people to discharge the obligations contracted in their behalf, by their duly accredited agents, with their full knowledge, and express assent, would be imputing to them designs, at war with the unbroken tenor of their acts, and unwarranted by any thing in their past or present history.

It is true, that differences of opinion have existed, and continue to exist, in relation to the most just and equitable mode, of raising the necessary amount of revenue. Each interest feeling the pressure upon itself, is prone to think, that others are less burdened than themselves, and the jealousy resulting from this state of feeling, has embarrassed the efforts of those, who have striven so earnestly to place the State in the condition, which all her citizens desire her to occupy. But notwithstanding these embarrassments, steady, if not rapid advances have been made, towards the great object, of augmenting the revenue to the demands upon the Treasury; and when that shall have been fully accomplished the gloom which now pervades the public mind, will begin to disappear. The committee entertain no doubt, that much of the discontent which now exists to the system of taxation, results from the fact, that its avails are insufficient to pay the interest upon the public debt. The people consider, and with some apparent reason, that sacrifices are unnecessary, if the object for which they are made cannot be attained. Why they ask, are these demands made upon them, if the honor of the commonwealth, to maintain which they are urged, cannot be preserved. But let that honor be once retrieved, and shine with its original brightness,—place the State again upon the proud eminence she once occupied, when her engagement or her promise to pay money, was considered equivalent to performance; let the people in a word see, that the contributions they are making to the public coffers, are bringing with them, the rich harvest, of universal confidence, and general esteem; and there can be no doubt, that their offerings will be heaped upon the altar, with willingness and in abundance. To place the State in this condition, and that the people may enjoy the gratification which a punctual discharge of her engagements would afford them, the committee have reported several bills to bring additional revenue into the treasury.

Should these bills become laws, it is believed the State, will, at an early day, be able to resume payment, and continue regularly to pay the interest upon her debt, thereafter. Some of these bills have been reported with the general consent of the committee; whilst others, or more properly speaking one of them, with their permission only. It would be arrogant, and presumptuous to say, that this particular measure, is the best, which could be devised, to meet the deficiency in the revenue; but it is very certain, that none other has been suggested, to supply its place, which could

by possibility meet the sanction of the General Assembly, or if sanctioned, would not encounter an opposition, which would render its efficiency more than doubtful. That differences, and honest differences of opinion may exist, with reference to the proper objects of taxation, or the best mode of distributing with impartiality the public burdens, is not to be wondered at. In every government that ever existed, conflicting views upon this subject, have been entertained by the various interests of which society is composed, and it is probable controversies growing out of the same cause will continue to exist so long as human nature remains as it is, and has been, since the world began. That perfect equality of taxation has been attained in Maryland, by the laws which have been passed, or which are now under consideration in the Legislature is not pretended, on the one hand, nor is it admitted on the other, that the inequality imputed to them, would be less apparent, or less oppressive, if a different system of imposition were resorted to.

One thing may be asserted with entire confidence, and that is, if we forbear to levy taxes to pay our just debts, until all classes shall become satisfied that its share of the public burdens is no more than its due proportion, and the day of payment will be postponed to an indefinite future.

The system of direct taxation hitherto chiefly, if not exclusively relied upon, to pay the public creditor, has so far proved inadequate for that purpose. If every dollar proposed by existing laws to be raised in that way, could be collected punctually as it accrues, it would fall far short of the sum required, and there are reasons of irresistable force, forbidding any attempt to increase the rate of this tax at the present moment. It may also be not amiss to remark, that of all the forms of raising revenue that have ever been resorted to, that of direct taxation, is the most unwieldly, precarious, and expensive. With us in Maryland, the expense of realizing revenue in this mode, cannot be estimated, at much, if any, below ten per centum, making the usual allowance for commissions to the collectors, the necessity for a periodical assessment, which is indispensable, and other incidental, but unavoidable expenses. Supposing we require the sum of seven hundred thousand dollars, to pay the interest on our public debt, which will be the case, if the arrearages of interest are funded, as will be hereafter shown, and that this sum is raised by direct taxation, the expense or dead loss to the people, will be seventy thousand dollars, being ten per centum upon the amount.

On the contrary, if indirect taxation could be resorted to, to supply the sum required, the expense, according to the provisions of the bills which have been reported, would not much, if any, exceed one per centum, or seven thousand dollars, and there would consequently be a saving to the people, of sixty-three thousand dollars in the collection of the revenue. If however this rejection of the direct, and adoption of the indirect form of taxation, would clearly throw upon any particular class of our

citizens, a disproportionate share of the burden, which should be borne equally by all, it would, notwithstanding the strong recommendation of economy, be improper, because unjust to resort to it.

The Committee however are fully aware, that complaints will be made, even by those who are sincerely anxious to restore the public credit, and do justice to the public creditor, but yet they entertain and express the hope, that for the present at least the feelings which dictate those complaints, will not impel any considerable portion of our citizens to forget the duty which they owe the government. The duty which the committee have had to discharge, has been attended with great anxiety and a full appreciation of the responsibilities which have been thrown upon them. Under all the circumstances of the case, they trust, that however the wisdom of the measures they have presented to the legislature may be questioned, their disposition to discharge their duty faithfully will be recognised.

They proceed therefore without further remark to exhibit as briefly as possible the condition of the finances of the State, and its probable ability soon to resume, and maintain for the future the regular payment of dividends.

Assuming it to be the determination of the legislature to commence payment on the 1st of the ensuing July, and to fund the interest in arrear to the first of April next, at 5 per cent. the amount of interest to be paid annually thereafter, will be $706,741.16, viz:

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| Amount of interest on the present debt, excluding those portions of it, which are provided for by specific appropriations, is | $626,741 16 |
| The arrearages of interest to the 1st of April 1845, are estimated to be $1,600.00, which if funded at 5 per cent., will add | 80,000 00 |
| Making, | $706,741 16 |

This sum includes the interest on that portion of the public debt, which constitutes the sinking fund, the income of which, now, exceeds $67,000 per annum.

The Committee strongly incline to the opinion that the revenue of the State, provided by existing laws, heretofore passed, and those which have, and it is thought will pass the present legislature, will be sufficient to pay the whole demands upon the Treasury, augmented as they will be, by the funding of the arrearages of interest.

They submit the following estimate as the probable revenue from the enactments referred to:

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| The direct and income tax it is thought will produce | $420,000 |
| Interest on the original debt of the Susquehanna and Tide Water Canal Companies | 55,000 |
| Interest on their bonds for $192,500, taken or interest due the State to 1st July 1844 | 11,550 |
| Auction duties | 25,000 |

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| Tax on collateral inheritances, &c., | 20,000 |
| Tax on commissions of executors and administrators | 20,000 |
| Tax on commissions of trustees and receivers, | 15,000 |
| From the Baltimore and Susquehanna Rail Road Company | 20,000 |
| Dividend on the stock of the Baltimore and Ohio Rail Road Company | 10,000 |
| Tax on commissions of officers | 4,000 |
| Brokers licenses—tax on plate and watches, theatrical exhibitions and protests | 11,000 |
| Tax on stocks held by non-residents | 20,000 |
| Tax on certain officers | 8,000 |
| Duty on promissory notes, &c., | 70,000 |
| Making | $709,550 |

And consequently exceeding the interest on the debt, including the interest upon the funded interest, $2,808.84.

Should these estimates be realized, the State may do full and entire justice to her creditors, without touching, or interrupting for a moment, the operation of the sinking fund, by the working of which, at a period not very remote, the debt will be wholly extinguished. That fund amounts now to $1,276,306 79, having been augmented in the course of the past year $89,489 52.

There are strong grounds to believe, that the State may fund the interest due from her to the 1st of April next, and then resume on the 1st of July ensuing, and continue payments regularly thenceforth.

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| Should that course be adopted the interest payable on the 1st of July next, on the present sterling, and currency debt, would be | $237,544 |
| The interest for one quarter on funded interest would be | 20,000 |
| Making to be paid on the 1st July, 1845, | $257,544 |

It is believed that the Treasury will be in a condition to meet this demand on that day, if the bills which have passed the House of Delegates at the present session become laws.

This opinion is founded upon the following estimate:

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| There is estimated to have been in the treasury on the 6th of January last, calculating the receipts to that day | $107,574 |
| One half of the annual ordinary revenue is | 116,000 |
| The direct tax, including the receipts of arrearages, it is thought will amount to | 125,000 |
| Tax on commissions of officers | 4,000 |
| Auction duties | 10,000 |
| Collateral inheritances | 2,500 |
| Tax on commissions of executors and administrators | 5,000 |
| Tax on commissions of trustees and receivers | 3,000 |
| Tax on non-resident holders of State stocks | 20,000 |

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| Duties on promissory notes, &c. | 7,500 |
| Baltimore and Susquehanna Rail Road | 10,000 |
| Tide Water and Susquehanna Canal companies | 20,000 |
| | $430,574 |
| Deduct the annual ordinary revenue | 116,000 |
| | $314,574 |
| The amount of interest to be paid on the 1st July, 1845, we have seen is | 257,544 |
| Leaving a surplus of | $57,030 |

to make up the deficiency, should there be any, in succeeding quarters.

It is believed therefore that under present circumstances it would not be considered over sanguine or rash to assume, that the State may commence payment on the 1st of the ensuing July; but as the estimates founded upon the new revenue measures now about to be tried, may be too high, and as consequences deeply to be deplored, might follow the declaration of a purpose which may be frustrated, by subsequent events, it is deemed safer not to make any such positive declaration at this time. And it is suggested therefore, that if the General Assembly shall conclude to fund the interest, to the first of April, in the expectation of resuming payment on the first of July thereafter, that, authority shall be given to the Governor, the Treasurer, and the Commissioner of Loans, to do so, or not, according to circumstances.

The actual condition of the treasury at that time will be known to them, and some experience will then have been had, in regard to the productiveness and working of the measures of the present Legislature.

All which is respectfully submitted,

J. JOHNSON, Chairman.

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